

OP Mortgage Bank: Financial Statements Bulletin for 1 January–31 December 2024





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OP Mortgage Bank (OP MB) is the covered bond issuing entity of OP Financial Group. Together with OP Corporate Bank plc, its role is to raise funding for OP Financial Group from money and capital markets.

Financial standing

The intermediary loans and loan portfolio of OP MB totalled EUR 14,800 million (16,988)* on 31 December 2024. Bonds issued by OP MB totalled EUR 14,800 million (14,915) at the end of December.

OP MB's covered bonds after 8 July 2022 are issued under the Euro Medium Term Covered Bond (Premium) programme (EMTCB), pursuant to the Finnish Act on Mortgage Credit Banks and Covered Bonds (151/2022). The collateral is added to the EMTCB cover pool from the member cooperative banks' balance sheets via the intermediary loan process on the issue date of a new covered bond.

In January, OP MB issued its first covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of seven years and six months. All proceeds of the bond were intermediated to 63 OP cooperative banks in the form of intermediary loans.

In March, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in March 2017 matured. At the same time, OP cooperative banks' intermediary loans worth EUR 1 billion related to the bond in question matured.

In October, OP MB issued its second covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of five years. All proceeds of the bond were intermediated to 48 OP cooperative banks in the form of intermediary loans.

The terms of issue are available on the [op.fi](https://www.op.fi/en/op-financial-group/debt-investors/issuers/op-mortgage-bank/emtc-b-debt-programme-documentation) website, under Debt investors: <https://www.op.fi/en/op-financial-group/debt-investors/issuers/op-mortgage-bank/emtc-b-debt-programme-documentation>.

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIR amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Also, a fixed-rate registered bond (Namensschuldverschreibung) worth EUR 115 million issued by OP MB in November 2012 matured in November. Additionally, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in November 2014 matured in November together with OP cooperative banks' intermediary loans related to the bond worth EUR 1 billion.

At the end of December, 92 OP cooperative banks had a total of EUR 14,800 million (14,800) in intermediary loans from OP MB.

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 2.5 million (-0.3). Loss allowance was EUR 0.0 million (2.6) following the sale of the loan portfolio.

Operating profit was EUR 4.4 million (9.3). The company's financial standing remained stable throughout the reporting period.

* The comparatives for 2023 are given in brackets. For income statement and other aggregated figures, January–December 2023 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures at the end of the previous financial year (31 December 2023) serve as comparatives.



Collateralisation of bonds issued to the public

The European covered bonds (premium) issued under the EMTCB programme worth EUR 25 billion established on 11 October 2022, in accordance with the Act on Mortgage Credit Banks and Covered Bonds (151/2022), totalled EUR 6,250 million. The cover pool included a total of EUR 6,882 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (151/2022).

The covered bonds issued under the Euro Medium Term Covered Note programme worth EUR 20 billion established on 12 November 2010, in accordance with the Act on Mortgage Credit Banks (Laki kiinnitysluottopankkitoiminnasta, 688/2010), totalled EUR 8,550 million. The cover pool included a total of EUR 9,451 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (688/2010).



Capital adequacy

OP MB's Common Equity Tier 1 (CET1) ratio stood at 797.0% (41.8) on 31 December 2024. The ratio was improved by the sale of the loan portfolio back to OP cooperative banks and the resulting reduction in capital requirement for credit risk. The minimum CET1 capital requirement is 4.5% and the requirement for the capital conservation buffer is 2.5%. The minimum total capital requirement is 8% (or 10.5% with the increased capital conservation buffer). OP MB fully covers its capital requirements with CET1 capital, which in practice means that it has a CET1 capital requirement of 10.5%. Estimated profit distribution has been subtracted from earnings for the reporting period.

OP MB uses the Standardised Approach (SA) to measure its capital adequacy requirement for credit risk. The Standardised Approach is also used to measure the capital requirement for operational risks.

OP MB belongs to OP Financial Group. As part of the Group, OP MB is supervised by the European Central Bank. OP Financial Group presents capital adequacy information in its financial statements bulletins and interim and half-year financial reports in accordance with the Act on the Amalgamation of Deposit Banks. OP Financial Group also publishes Pillar 3 disclosures.

Own funds and capital adequacy

TEUR	31.12.2024	31.12.2023
Equity capital	368,122	372,160
Common Equity Tier 1 (CET1) before deductions	368,122	372,160
Excess funding of pension liability		-13
Proposed profit distribution	-3,466	
Share of unaudited profits		-7,490
Insufficient coverage for non-performing exposures		-2,856
CET1 capital	364,656	361,800
Tier 1 capital (T1)	364,656	361,800
Tier 2 capital (T2)		
Total own funds	364,656	361,800

Total risk exposure amount

TEUR	31.12.2024	31.12.2023
Credit and counterparty risk	18,581	812,205
Operational risk (Standardised Approach)	26,636	25,140
Other risks*	538	27,336
Total risk exposure amount	45,755	864,682

* Risks not otherwise covered.

Ratios

Ratios, %	31.12.2024	31.12.2023
CET1 capital ratio	797.0	41.8
Tier 1 capital ratio	797.0	41.8
Capital adequacy ratio	797.0	41.8

Capital requirement

Capital requirement, TEUR	31.12.2024	31.12.2023
Own funds	364,656	361,800
Capital requirement	4,804	90,829
Buffer for capital requirements	359,852	270,971



Liabilities under the Resolution Act

Under regulation applied to the resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in case of resolution. According to the resolution strategy, OP Mortgage Bank would continue its operations as the new OP Corporate Bank's subsidiary.

The SRB has set a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP MB. From May 2024, the MREL is 16% of the total risk exposure amount and 18.5% of the total risk exposure amount including a combined buffer requirement, and 6% of leverage ratio exposures. The requirement entered into force on 15 May 2024. The requirement includes a Combined Buffer Requirement (CBR) of 2.5%.

OP MB's buffer for the MREL requirement was EUR 356 million. The buffer consists of own funds only. OP MB clearly exceeds the MREL requirement. OP MB's MREL ratio was 797% of the total risk exposure amount.

Joint and several liability of amalgamation

Under the Act on the Amalgamation of Deposit Banks (599/2010), the amalgamation of cooperative banks comprises the organisation's central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups, as well as credit and financial institutions and service companies in which the above together hold more than half of the total votes. This amalgamation is supervised on a consolidated basis. On 31 December 2024, OP Cooperative's member credit institutions comprised 93 OP cooperative banks, OP Corporate Bank plc, OP Mortgage Bank and OP Retail Customers plc.

The central cooperative is responsible for issuing instructions to its member credit institutions concerning their internal control and risk management, their procedures for securing liquidity and capital adequacy, and for compliance with harmonised accounting policies in the preparation of the amalgamation's consolidated financial statements.

As a support measure referred to in the Act on the Amalgamation of Deposit Banks, the central cooperative is liable to pay any of its member credit institutions the amount necessary to preventing the credit institution from being placed in liquidation. The central cooperative is also liable for the debts of a member credit institution which cannot be paid using the member credit institution's assets.

Each member bank is liable to pay a proportion of the amount which the central cooperative has paid to either another member bank as a support measure or to a creditor of such a member bank in payment of an overdue amount which the creditor has not received from the member bank. Furthermore, if the central cooperative defaults, a member bank has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member bank's liability for the amount the central cooperative has paid to the creditor on behalf of a member bank is divided between the member banks in proportion to their last adopted balance sheets. OP Financial Group's insurance companies do not fall within the scope of joint and several liability.

According to section 25 of the Act on Mortgage Credit Banks (688/2010), which was valid at that time, the creditors of covered bonds issued prior to 8 July 2022 have the right to receive payment, before other claims, for the entire term of the bond, in accordance with the terms and conditions of the bond, out of the funds entered as collateral, without this being prevented by OP MB's liquidation or bankruptcy. A similar and equal priority also applies to derivative contracts entered in the register of bonds, and to marginal lending facilities referred to in section 26, subsection 4 of said Act. For mortgage-backed loans issued prior to 8 July 2022 and included in the total amount of collateral of covered bonds, the priority of the covered bond holders' payment right is limited to the amount of loan that, with respect to home loans, corresponds to 70% of the value of shares or property serving as security for the loan and entered in the bond register at the time of the issuer's liquidation or bankruptcy declaration.

Under section 20 of the Act on Mortgage Credit Banks and Covered Bonds (151/2022), which entered into force on 8 July 2022, the creditors of bonds issued after 8 July 2022, including the related management and clearing costs, have the right to receive payment from the collateral included in the cover pool, before other creditors of OP MB or the OP cooperative bank which is the debtor of an intermediary loan. A similar priority also applies to creditors of derivative contracts related to covered bonds, including the related management and clearing costs. Interest and yield accruing on the collateral, and any



substitute assets, fall within the scope of said priority. Section 44, subsection 3 of the Act on Mortgage Credit Banks and Covered Bonds includes provisions on the creditor's priority claim regarding cover pool liquidity support. According to said subsection, the creditor has the right to receive payment against the funds contained in the cover pool after claims based on the principal and interest of covered bonds secured by the cover assets included in the cover pool, obligations based on derivatives contracts associated with covered bonds, as well as administration and liquidation costs.

Sustainability and corporate responsibility

As of the reporting year 2024, OP Financial Group reports on its sustainability and corporate responsibility in accordance with the European Sustainability Reporting Standards (ESRS) under the EU's Corporate Sustainability Reporting Directive (CSRD). OP Financial Group's Report by the Board of Directors and Financial Statements 2024, including CSRD reporting, will be published in March 2025.

Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's sustainability programme guides the Group's actions and is built around three themes: Climate and the environment, People and communities, Corporate governance. Read more about the sustainability programme at www.op.fi/en/op-financial-group/corporate-social-responsibility/corporate-social-responsibility-programme.

At OP Financial Group, sustainability and corporate responsibility are guided by a number of principles and policies. OP Financial Group is committed to complying not only with all applicable laws and regulations, but also with a number of international initiatives. The Group is committed to complying with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI). Furthermore, OP Financial Group is committed to complying with the UN Principles for Responsible Investment and the UN Principles for Sustainable Insurance.

OP Financial Group's biodiversity roadmap includes measures to promote biodiversity. OP Financial Group aims to grow its nature positive handprint by 2030. 'Nature positive' means that OP Financial Group's operations will have a net positive impact (NPI) on nature.

OP Financial Group has drawn up a Human Rights Statement and Human Rights Policy. The Group respects all recognised human rights. The Human Rights Statement includes the requirements and expectations that OP Financial Group has set for itself and actors in its value chains. OP Financial Group is committed to perform remediation actions if its operations have adverse human rights impacts.

In March 2024, OP MB published a Green Covered Bond Report on the allocation and impacts of Finland's first green covered bonds issued in March 2021 and April 2022. Under OP MB's Green Covered Bond Framework, the proceeds from the bonds have been allocated to mortgages with energy-efficient residential buildings as collateral.

The environmental impacts allocated to the green covered bonds in 2023 were 59,000 MWh of energy use avoided per year and 8,800 tonnes of CO2-equivalent emissions avoided per year.

Personnel

At the end of the reporting period, OP MB had six employees. OP MB has been digitising its operations and purchases all key support services from OP Cooperative and its subsidiaries, reducing the need for its own personnel.

Governing body members

The Board composition is as follows:

Chair	Mikko Timonen	Chief Financial Officer, OP Cooperative
Members	Satu Nurmi	Business Lead, SME Financing, OP Retail Customers plc
	Mari Heikkilä	Head of Group Treasury & ALM, OP Corporate Bank plc

OP MB's Managing Director is Sanna Eriksson. The Deputy Managing Director is Tuomas Ruotsalainen, Senior Covered Bonds Manager at OP MB.



Risk profile

OP MB has a strong capital base, capital buffers and risk-bearing capacity.

OP MB's most significant risks are related to the quality of collateral and to structural liquidity and interest rate risks on the balance sheet, for which limits have been set in the Banking Risk Policy. The key credit risk indicators in use show that OP MB's credit risk exposure is stable. OP MB has used interest rate swaps to hedge against its interest rate risk. Interest rate swaps have been used to swap home loan interest, intermediary loan interest and interest on issued bonds onto the same basis rate. OP MB has concluded all derivative contracts for hedging purposes, applying fair value hedges which have OP Corporate Bank plc as their counterparty. OP MB's interest risk exposure is under control and has been within the set limit.

The liquidity buffer for OP Financial Group is centrally managed by OP Corporate Bank and therefore exploitable by OP MB. At the end of the reporting period, OP Financial Group's Liquidity Coverage Ratio (LCR) was 193% and the Net Stable Funding Ratio (NSFR) was 129%. OP MB monitors its cash flows on a daily basis to secure funding liquidity and its structural funding risk on a regular basis as part of the company's internal capital adequacy assessment process (ICAAP).

An analysis of OP MB's risk exposure should always take account of OP Financial Group's risk exposure, which is based on the joint and several liability of all its member credit institutions. The member credit institutions are jointly liable for each other's debts. All member banks must participate in support measures, as referred to in the Act on the Amalgamation of Deposit Banks, to support each other's capital adequacy.

OP Financial Group analyses the business environment as part of its ongoing risk assessment activities and strategy process. Megatrends and worldviews behind OP Financial Group's strategy reflect driving forces that affect the daily activities, conditions and future of the Group and its customers. Factors currently shaping the business environment include climate, biodiversity loss, scientific and technological innovations, polarisation, demography and geopolitics. External business environment factors are considered thoroughly, so that their effects on customers' future success are understood. OP Financial Group provides advice and makes business decisions that promote the sustainable financial success, security and wellbeing of its owner-customers and operating region while managing the Group's risk profile on a longer-term basis. Advice for

customers, risk-based service sizing, contract lifecycle management, decision-making, management and reporting are based on correct and comprehensive information.

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2024, the company's distributable funds, which include EUR 3,466,300.33 in profit for the financial year, totalled EUR 63,122,322.54. The company's distributable funds totalled EUR 308,122,322.54.

The Board of Directors proposes that a dividend of EUR 45.25 per share be distributed, totalling EUR 3,465,788.00, and that following dividend distribution, the remaining amount of EUR 512.33 be recognised in retained earnings.

The company's financial position has not undergone any material changes since the end of the financial year 2024. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

Events after the reporting period

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III within the EU, are expected to reduce the capital adequacy of OP MB, nevertheless, capital adequacy remains at a very strong level. These changes took effect on 1 January 2025.

Outlook

Finland's economy contracted in 2024. However, the economy began to recover as the year progressed and preliminary figures suggest that GDP grew in the second half compared to the same period in 2023. Slower inflation and lower interest rates provide a basis for the recovery to continue. Risks associated with the economic outlook are still higher than usual. The escalation of geopolitical crises or a rise in trade barriers may affect capital markets and the economic environment.

OP MB's capital adequacy is expected to remain strong and its risk exposure favourable. This enables the issuance of covered bonds in the future.



Alternative performance measures

Key figures and ratios	1-12/2024	1-12/2023	10-12/2024	10-12/2023
Return on equity (ROE), %	0.9	2.0	-1.7	1.0
Cost/income ratio, %	90	51	168	78

The alternative performance measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. Formulas for the alternative performance measures used are presented below.

Key figure or ratio	Formula	Description
Return on equity (ROE), %	$\frac{\text{Financial performance for the reporting period} \times (\text{days of financial year} / \text{days of reporting period})}{\text{Equity capital (average at beginning and end of period)}} \times 100$	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Cost/income ratio, %	$\frac{\text{Total expenses}}{\text{Total income}} \times 100$	The ratio describes the ratio of expenses to income. The lower that ratio, the better.



TABLES

Income statement

TEUR	Note	Q1-4/2024	Adjusted Q1-4/2023	Q4/2024	Adjusted Q4/2023
Interest income		679,781	594,819	153,513	169,574
Interest expenses		-649,775	-559,138	-146,155	-161,262
Net interest income	2	30,007	35,680	7,358	8,312
Impairment loss on receivables	3	2,500	-256	2,390	-86
Commission income		86	100	21	24
Commission expenses		-11,204	-16,489	-1,013	-3,758
Net commissions and fees	4	-11,118	-16,389	-992	-3,734
Other operating income		5	3	0	1
Personnel costs		-703	-672	-182	-167
Other operating expenses		-16,245	-9,115	-10,502	-3,391
Operating profit (loss)		4,445	9,250	-1,929	935
Income tax		-978	-1,760	380	-8
Profit for the financial year		3,466	7,490	-1,549	927

Statement of comprehensive income

TEUR	Note	Q1-4/2024	Adjusted Q1-4/2023	Q4/2024	Adjusted Q4/2023
Profit for the period		3,466	7,490	-1,549	927
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		17	14	17	14
Income tax					
On gains/(losses) arising from remeasurement of defined benefit plans		-3	-3	-3	-3
Total comprehensive income for the financial year		3,480	7,501	-1,536	938



Balance sheet

TEUR	Note	31 Dec 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Assets				
Cash and cash equivalents		343,002	291,681	137,989
Receivables from member credit institutions	6	14,956,610	15,016,633	17,940,673
Receivables from customers			2,113,114	2,690,039
Derivative contracts	7	114,221	72,680	31,189
Other assets		41	1,081	877
Deferred tax assets		1,476	2,430	98
Total assets		15,415,350	17,497,619	20,800,866
Liabilities				
Liabilities to member credit institutions			2,012,380	2,253,869
Derivative contracts	6	589,194	854,869	1,220,509
Debt securities issued to the public		14,457,644	14,256,146	16,952,566
Provisions and other liabilities		390	2,000	2,377
Deferred tax liabilities			63	234
Total liabilities		15,047,227	17,125,459	20,429,555
Equity capital				
Share capital		60,000	60,000	60,000
Reserve for invested unrestricted equity		245,000	245,000	245,000
Retained earnings		63,122	67,160	66,311
Total equity		368,122	372,160	371,311
Total liabilities and equity		15,415,350	17,497,619	20,800,866

OP MB changed the official income statement and balance sheet format of the financial statements at the beginning of 2024. The changes are described in Note 10 to the Half-year Financial Report 1 January–30 June 2024, Change to presentation of balance sheet and income statement format.



Statement of changes in equity

TEUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity capital 1 January 2024	60,000	245,000	67,160	372,160
Profit for the financial year			3,466	3,466
Other comprehensive income for the period			-14	-14
Dividends			-7,490	-7,490
Equity capital 31 Dec 2024	60,000	245,000	63,122	368,122

TEUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity capital 1 January 2023	60,000	245,000	66,311	371,311
Profit for the financial year			7,490	7,490
Other comprehensive income for the period			-11	-11
Dividends			-6,631	-6,631
Equity capital 31 Dec 2023	60,000	245,000	67,160	372,160



Cash flow statement

TEUR	Adjusted Q1-4/2024	Adjusted Q1-4/2023
Cash flow from operating activities		
Profit for the period	3,466	7,490
Adjustments to profit for the period		
Expected credit losses	-2,493	277
Accruals of derivatives and hedge accounting	-10,210	-3,031
Valuation items related to derivatives	-12	-419
Income tax	978	1,760
Amortisation of effective interest rate	7,831	-13,745
Other	1,824	74
Total adjustments	-2,082	-15,083
Increase (-) or decrease (+) in operating assets	2,309,991	3,513,393
Receivables from member credit institutions, increases	-2,000,000	-3,000,000
Receivables from member credit institutions, decreases	1,841,819	6,058,374
Receivables from customers	2,346,366	508,914
Derivative contracts	120,765	-53,560
Other assets	1,040	-335
Increase (+) or decrease (-) in operating liabilities	-2,129,092	-76,760
Liabilities to member credit institutions	-2,012,380	-241,489
Derivative contracts	-156,289	125,085
Provisions and other liabilities	39,576	39,643
Income tax paid	-83	-4,260
Dividends received	2	2
A. Net cash from operating activities	182,201	3,424,782
Cash flow from financing activities		
Increases in debt securities issued to the public	1,991,610	2,985,540
Decreases in debt securities issued to the public	-2,115,000	-6,250,000
Dividends	-7,490	-6,631
B. Net cash used in financing activities	-130,880	-3,271,091



TEUR	Adjusted	
	Q1–4/2024	Q1–4/2023
Net change in cash and cash equivalents (A+B)	51,321	153,691
Cash and cash equivalents at period start	291,681	137,989
Cash and cash equivalents at period end	343,002	291,681
Interest received	715,800	669,939
Interest paid	-687,752	-246,005



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Note 1. Accounting policies and highlights

The Financial Statements Bulletin for 1 January–31 December 2024 has been prepared in accordance with IAS 34 (Interim Financial Reporting). This Financial Statements Bulletin applies IAS 34 Interim Financial Reporting and the accounting policies presented in the 2023 financial statements. The Financial Statements Bulletin should be read with the audited 2023 financial statements.

This Financial Statements Bulletin is based on unaudited figures. Given that all figures have been rounded, the sum total of individual figures may deviate from the presented sums.

The Financial Statements Bulletin is available in Finnish and English. The Finnish version is official and will be used if there is any discrepancy between the language versions.

Changes and supplements to the accounting policies

OP MB changed the official balance sheet format of the financial statements at the beginning of 2024. OP MB's new balance sheet format describes the company's operations better, and the balance sheet has new rows. The changes have been made retrospectively also for 2023. In Note 10 to the Half-year Financial Report 1 January–30 June 2024, Change to presentation of the balance sheet and income statement format, the changes are presented retrospectively for 2023.

Highlights of the reporting period

In January, OP MB issued its first covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of seven years and six months. All proceeds of the bond were intermediated to 63 OP cooperative banks in the form of intermediary loans.

In March A fixed-rate covered bond worth EUR 1 billion issued by OP MB in March 2017 matured. At the same time, OP cooperative banks' intermediary loans worth EUR 1 billion related to the bond in question matured.

In October, OP MB issued its second covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of five years. All

proceeds of the bond were intermediated to 48 OP cooperative banks in the form of intermediary loans.

The terms of issue are available on the op.fi website, under Debt investors: <https://www.op.fi/en/op-financial-group/debt-investors/issuers/op-mortgage-bank/emtcb-debt-programme-documentation>.

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIR amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Also, a fixed-rate registered bond (Namensschuldverschreibung) worth EUR 115 million issued by OP MB in November 2012 matured in November. Additionally, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in November 2014 matured in November together with OP cooperative banks' intermediary loans related to the bond worth EUR 1 billion.

Events after the reporting period

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III within the EU, are expected to reduce the capital adequacy of OP MB, nevertheless, capital adequacy remains at a very strong level. These changes took effect on 1 January 2025.



Note 2. Net interest income

TEUR	Q1–4/2024	Adjusted Q1–4/2023	Q4/2024	Adjusted Q4/2023
Interest income calculated using the effective interest method				
From receivables from member credit institutions	594,539	492,696	141,051	142,317
From receivables from customers	72,104	89,496	4,240	25,430
Interest from derivatives hedging financial assets	2,842	9,671	284	1,073
Change in hedge accounting adjustment				
Change in the fair value of hedged risk	-6,083	15,456	810	7,925
Other adjustments	10,210	3,031	7,937	758
Change in the fair value of hedging derivatives	6,083	-15,456	-810	-7,925
Other interest income	87	-76	1	-4
Total	679,781	594,819	153,513	169,574
Interest expenses				
From liabilities to member credit institutions	-64,963	-70,977	-10,356	-20,780
From debt securities issued to the public				
Interest amounts	-227,913	-203,243	-61,048	-45,103
Change in the fair value of hedged risk	-269,422	-493,561	-39,069	-473,246
From derivatives subject to hedge accounting				
Change in fair value	269,435	493,981	39,070	473,239
Interest amounts	-356,910	-285,338	-74,752	-95,373
Other interest expenses	-1	0		0
Total	-649,775	-559,138	-146,155	-161,262
Net interest income	30,007	35,680	7,358	8,312

Net interest income was EUR 30.0 million (35.7). The decrease in net interest income resulted from the decreasing of OP MB's on-balance sheet loan portfolio during the year, the sale of the loan portfolio in November, and a decrease in the intermediary loan portfolio. OP MB has used interest rate swaps to hedge against its interest rate risk. Interest rate swaps have been used to swap home loan interest, intermediary loan interest and interest on issued bonds onto the same basis rate. As a result of interest rate hedging, any changes in market rates have a minor impact on OP MB's net interest income on home loans, intermediary loans and issued bonds.



Note 3. Impairment loss on receivables

Impairment loss on receivables, TEUR	Q1-4/2024	Q1-4/2023	Q4/2024	Q4/2023
Receivables written down as loan	-86	-143	-19	-6
Recoveries of receivables written	7	21	2	16
Expected credit losses (ECL) on receivables from customers	2,579	-133	2,407	-95
Total impairment loss on receivables	2,500	-256	2,390	-86

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 2.5 million (-0.3). Loss allowance was EUR 0.0 million (2.6). Expected credit losses are calculated from the balance sheet item Receivables from customers. Expected credit losses were positive, and loss allowance was removed as a result of the sale of OP MB's on-balance sheet loan portfolio. Expected credit losses are not recognised on receivables from intermediary loans.

Expected credit losses on receivables from member credit institutions

As a support measure referred to in the Act on the Amalgamation of Deposit Banks, the central cooperative is liable to pay any of its member credit institutions the amount necessary to preventing the credit institution from being placed in liquidation. The central cooperative is also liable for the debts of a member credit institution which cannot be paid using the member credit institution's assets. Each member bank is liable to pay a proportion of the amount which the central cooperative has paid to either another member bank as a support measure or to a creditor of such a member bank in payment of an overdue amount which the creditor has not received from the member bank. Furthermore, if the central cooperative defaults, a member bank has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act. Each member bank's liability for the amount the central cooperative has paid to the creditor on behalf of a member bank is divided between the member banks in proportion to their last adopted balance sheets. OP Financial Group's insurance companies do not fall within the scope of joint and several liability.

Expected credit losses are measured using modelled risk parameters with the formula probability of default (PD) x loss given default (LGD) x exposure at default (EAD) for majority of portfolios per contract, and they reflect expectations of future credit losses at the end of December. PD describes the probability of default according to the definition of default.

Since OP Financial Group is assessed as a whole based on the principle of joint and several liability under the Act on the Amalgamation of Deposit Banks, expected credit loss cannot be separately calculated for an individual member credit institution. The probability of default applied to OP Financial Group's internal loans, including intermediary loans, is zero due to the joint and several liability. LGD describes the share of an asset if a borrower defaults. It is affected, for example, by the quantity and type of collateral securities and various financial guarantees. The amalgamation's joint and several liability guarantees all expected losses of the member credit institution, so the LGD component too in OP Financial Group's internal loans is zero. This is affected by OP Financial Group's current strong financial standing, which is expected to remain so in the foreseeable future too. EAD describes the exposure amount at default, including exposure in the balance sheet (capital and accrued interest), and expected use of off-balance-sheet items at default.



Note 4. Net commissions and fees

Net commissions and fees, TEUR	Q1-4/2024	Adjusted Q1-4/2023	Q4/2024	Adjusted Q4/2023
Commission income				
Lending	86	100	21	24
Total	86	100	21	24
Commission expenses, TEUR				
Loan management fee to OP cooperative banks	-11,191	-16,470	-1,011	-3,755
Issue of bonds		-9		
Other	-13	-10	-2	-3
Total	-11,204	-16,489	-1,013	-3,758
Net commissions and fees	-11,118	-16,389	-992	-3,734

In November, OP MB sold its entire on-balance sheet loan portfolio back to 85 OP cooperative banks. Prior to the sale of the loans, OP MB's balance sheet included receivables from customers; the customer relationships related to these are managed by OP cooperative banks. OP MB refunded OP cooperative banks the amount of the returns paid by customers on loans managed by the banks, as management fees agreed in the fee model. Management fees paid to OP cooperative banks are shown as commission expenses under net commissions and fees. Interest paid by customers was recognised in interest income using the effective interest method. Note 10 to the Half-year Financial Report 1 January–30 June 2024, Change to presentation of balance sheet and income statement format, describes the adjustment of presentation of commission income made retrospectively for 2023.



Note 5. Classification of financial assets and liabilities

Sale of OP MB loans to OP cooperative banks

Prior to the intermediary loan model, until 2017, the operating model was such that OP MB purchased loans from OP cooperative banks on its balance sheet and used them as collateral for the covered bonds. OP cooperative banks also granted loans directly on OP MB's balance sheet (OP MB loans). In November 2024, OP MB sold its entire on-balance sheet loan portfolio to OP cooperative banks. Loans totalling EUR 1,825 million at nominal value were transferred in the transaction. The obligations and restrictions related to the sold loan portfolio, as per the framework agreements previously made between OP MB and OP cooperative banks, ceased as result of the transaction. In the previous year, the loans in questions were presented in the Receivables from customers and Receivables from member credit institutions items.

	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total carrying amount
Assets 31 Dec 2024, TEUR				
Cash and cash equivalents	343,002			343,002
Receivables from member credit institutions	14,956,610			14,956,610
Derivative contracts		114,221		114,221
Other financial assets			40	40
Total financial assets	15,299,612	114,221	40	15,413,873

	Amortised cost	Recognised at fair value through profit or loss	Total carrying amount
Liabilities 31 Dec 2024, TEUR			
Liabilities to member credit institutions			
Derivative contracts		589,194	589,194
Debt securities issued to the public	14,457,644		14,457,644
Other financial liabilities	50		50
Total financial liabilities	14,457,694	589,194	15,046,888



Adjusted

	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total carrying amount
Assets 31 Dec 2023, TEUR				
Cash and cash equivalents	291,681			291,681
Receivables from member credit institutions	15,016,633			15,016,633
Receivables from customers	2,113,114			2,113,114
Derivative contracts		72,680		72,680
Other financial assets	1,024		40	1,064
Total financial assets	17,422,452	72,680	40	17,495,172

Adjusted

	Amortised cost	Recognised at fair value through profit or loss	Total carrying amount
Liabilities 31 Dec 2023, TEUR			
Liabilities to member credit institutions	2,012,380		2,012,380
Derivative contracts		854,869	854,869
Debt securities issued to the public	14,256,146		14,256,146
Other financial liabilities	318		318
Total financial liabilities	16,268,844	854,869	17,123,713

Debt securities issued to the public are carried at amortised cost, including a negative valuation of EUR 441,169 thousand (717,020 thousand) caused by risk to be hedged. The fair value of these debt instruments was assessed based on price quote information available in markets and by employing commonly used valuation techniques, amounting to EUR 14,259,981 thousand (14,100,873 thousand) at the end of December.

Receivables from member credit institutions are carried at amortised cost, including a negative valuation of EUR 1,570 thousand (6,429 thousand) caused by risk to be hedged.

The largest item carried at amortised cost is receivables from member credit institutions, which consists of intermediary loans granted to OP cooperative banks. These are mainly tied to the floating interest rate, and their credit risk is zero due to joint and several liability (for a description of the joint and several liability, see Note 2, Impairment loss on receivables). The carrying amount of these loans is reasonably close to their fair value at the end of December.



Note 6. Receivables from member credit institutions

TEUR	Q1-4/2024	Adjusted Q1-4/2023
Receivables from intermediary loans	14,954,957	14,946,671
Other	1,654	69,963
Total	14,956,610	15,016,633

Receivables from intermediary loans

OP MB is responsible for secured wholesale funding for OP Financial Group. In its operations, OP MB applies an intermediary loan model complying with the Act on Mortgage Credit Banks and Covered Bonds (151/2022, chapter 7). OP MB issues covered bonds for which mortgage-backed loan receivables are tagged as collateral from the balance sheets of OP cooperative banks to the cover pool. The future cash flows related to said mortgage-backed loan receivables serve as collateral for the covered bonds. In the intermediary loan model, loan receivables, or risks related to them, are not transferred to OP MB. OP MB provides funding to OP cooperative banks by transmitting proceeds from bonds to OP cooperative banks as intermediary loans. Receivables from intermediary loans are presented in OP MB's balance sheet under item Receivables from member credit institutions, and they will mature at the same time as the issued bonds.

Expected credit losses are not recognised on Receivables from member credit institutions. More detailed information on the matter is available in Note 3, Impairment loss on receivables.



Note 7. Derivative contracts

Derivative contracts 31 Dec 2024, TEUR	Fair values	
	Assets	Liabilities
Interest rate derivatives		
Hedging	114,221	589,194
Total	114,221	589,194

Adjusted		
Derivative contracts 31 Dec 2023, TEUR	Fair values	
	Assets	Liabilities
Interest rate derivatives		
Hedging	72,680	854,869
Total	72,680	854,869



Note 8. Financial instruments classification, grouped by valuation technique

		Fair value measurement at period end			
	Balance sheet value	Level 1	Level 2	Level 3	
31 Dec 2024, TEUR					
Recurring fair value measurements of assets					
Derivative contracts	114,221		114,221		
Total	114,221		114,221		
Recurring fair value measurements of liabilities					
Derivative contracts	589,194		589,194		
Total	589,194		589,194		
		Fair value measurement at period end			
Adjusted		Level 1	Level 2	Level 3	
31 Dec 2023, TEUR					
Recurring fair value measurements of assets					
Derivative contracts	72,680		72,680		
Total	72,680		72,680		
Recurring fair value measurements of liabilities					
Derivative contracts	854,869		854,869		
Total	854,869		854,869		

Fair value hierarchy

Level 2: Valuation techniques based on observable input parameters. The fair value of the instruments included within Level 2 means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. Level 2 input data includes, for example: quoted prices of similar items in active markets, quoted prices of similar items in inactive markets, market interest rates, implied volatilities and credit spreads. OP MB's OTC derivatives and the quoted corporate, government and financial

institution debt securities not classified into Level 1 are classified into this hierarchical level. Products subject to recurring fair value measurement during the reporting period only include derivatives.



Transfers between hierarchy levels of recurring fair value measurements
Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change. Transfers between the levels are mainly due to the number of available market quotes. No transfers between the levels took place during the reporting period.



Note 9. Related party transactions

OP MB's related parties comprise OP Cooperative (parent company) and companies consolidated into OP Cooperative Consolidated, associates, key management personnel and their close family members, and other related-party entities. The company's key management personnel comprises the Managing Director, Deputy Managing Director and members of the Board of Directors. Related parties also include companies over which a key management person or their close family member, either alone or together with another person, exercises control. Other entities regarded as related parties include OP-Eläkesäätiö pension foundation and OP Ryhmän Henkilöstörahasto personnel fund. Related parties have been defined in accordance with IAS 24.

Related party transactions consist of paid salaries and fees as well as ordinary business transactions.

No substantial changes have taken place in related-party transactions since 31 December 2023.

Related party transactions

	31 Dec 2024		
TEUR	OP Cooperative	OP Corporate Bank	Other
Assets			
Cash and cash equivalents		343,002	
Derivative contracts		114,221	
Other assets	40	1,654	

	31 Dec 2024		
TEUR	OP Cooperative	OP Corporate Bank	Other
Liabilities			
Liabilities to member credit institutions			
Derivative contracts		589,194	
Debt securities issued to the public		328,257	
Provisions and other liabilities	52		25

	Q1-4/2024		
TEUR	OP Cooperative	OP Corporate Bank	Other
Interest income		15,803	
Interest expenses		-78,217	-85
Dividend income	2		
Commission expenses		-13	
Operating expenses	-2,435	-26	-2,684



	31 Dec 2023		
Related party transactions, TEUR	OP Cooperative	OP Corporate Bank	Other
Assets			
Cash and cash equivalents		291,681	
Derivative contracts		72,680	
Other assets	40	808	17

	31 Dec 2023		
TEUR	OP Cooperative	OP Corporate Bank	Other
Liabilities			
Liabilities to member credit institutions		2,012,380	
Derivative contracts		854,869	
Debt securities issued to the public		310,641	4,382

	Q1–4/2023		
TEUR	OP Cooperative	OP Corporate Bank	Other
Interest income		22,530	
Interest expenses		-107,609	-141
Dividend income	2		
Commission expenses		-10	
Operating expenses	-2,087	-4	-3,077

OP MB paid EUR 7,490 thousand (6,631) in dividends to OP Cooperative on 3 April 2024.



Note 10. Transactions with OP cooperative banks

The accounts of OP MB and the member cooperative banks are consolidated into OP Financial Group's financial statements. Transactions between OP MB and member cooperative banks are mainly related to the intermediary loan model, which is explained in greater detail in Note 6, Receivables from member credit institutions.

OP cooperative banks paid EUR 583,045 thousand (467,781) in interest income to OP MB. OP MB paid EUR 12,625 thousand (19,138) in commission expenses and EUR 0 thousand (1) in other expenses to OP cooperative banks. Intermediary loans in OP MB balance sheet totalled EUR 14,954,957 thousand (14,946,671) at the end of the reporting period.

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIR amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.



Financial reporting

Schedule for financial reports for 2024

Report by the Board of Directors and Financial Statements 2024	Week 11, 2025
Corporate Governance Statement 2024	Week 11, 2025

Schedule for Interim Reports and Half-Year Financial Report in 2025

Interim Report 1 January–31 March 2025	7.5.2025
Half-year Financial Report 1 January–30 June 2025	30.7.2025
Interim Report 1 January–30 September 2025	28.10.2025

Helsinki, 6 February 2025

OP Mortgage Bank

Board of Directors

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